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AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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November 19, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **MEDI-CAL SHARE OF COST**

My Special Investigations Unit (SIU) completed an investigation into allegations that employees at the Edmund D. Edelman Mental Health Clinic (Edelman) are circumventing controls over the collection of fees from certain Medi-Cal patients who are required to pay a share of their total treatment cost (SOC), which includes the cost of prescription medications. Specifically, it was alleged that SOC patients at Edelman who are unable to pay for their prescriptions at County-contracted pharmacies go back to Edelman to have the SOC requirement "cleared". Patients subsequently return to the pharmacy and receive prescriptions free of charge.

SIU staff reviewed Department of Mental Health (DMH) written policies and procedures regarding Medi-Cal eligibility and SOC. We also examined patient eligibility and SOC data in the Medi-Cal Eligibility Data System (MEDS) and interviewed DMH and Department of Public Social Services (DPSS) employees.

Results of the Investigation

Summary of Findings

We substantiated the allegation that staff at the Edelman Mental Health Clinic are clearing the SOC in MEDS whenever a patient complains about paying it. While this makes it possible for pharmacies to bill Medi-Cal for prescriptions, it allows patients to avoid paying their SOC, even though DPSS determined they have some ability to pay. In addition, Medi-Cal is being billed for clinic-based services that are prescribed for the purpose of clearing the SOC, but may not be needed by the patient. As a result, DMH may be overbilling Medi-Cal.

Background

Medi-Cal provides limited health care benefits to individuals and families who qualify for coverage, but requires some patients to pay a predetermined monthly deductible, SOC. DPSS is responsible for determining each Medi-Cal patient's monthly SOC, which is paid directly to the health care provider. Once the SOC is satisfied, Medi-Cal pays for all covered expenses for that month.

In addition to Medi-Cal regulations, DMH is also governed by Short-Doyle legislation, which requires DMH to financially screen its clients in order to determine a minimum annual liability for each individual or family. This financial screening, referred to as the Uniform Method of Determining Ability to Pay (UMDAP), applies only to clinic based services, not prescriptions. Edelman must collect the monthly SOC up to the annual UMDAP liability. Once a patient satisfies the annual liability, SOC no longer applies for clinic-based services, but continues to apply for prescriptions. Patients at Edelman and all other County operated mental health clinics must obtain their prescription medications from County contracted pharmacies.

Findings

According to patient rosters DMH provided, approximately 5½% of patients are required to pay a monthly SOC. The remaining patients are fully covered by Medi-Cal.

The DMH Director of Pharmacy Services (Director) stated that DMH changed its policy regarding payments to contracting pharmacies in November 2001. Prior to November 2001, DMH guaranteed payment to its contracting pharmacies when clients failed to pay their SOC. Under the new policy, DMH reviews each monthly billing from a contracting pharmacy and denies all claims for clients who are eligible for Medi-Cal. Pharmacies are expected to collect the SOC from clients and bill the remainder to Medi-Cal. The Director stated he was not aware of any exceptions to the new policy.

A Patient Financial Services Worker (PFS Worker) at Edelman, indicated that after DMH changed its pharmacy billings policy and began to require contracting pharmacies to collect the SOC, she received many complaints from patients who were either unwilling or unable to pay their SOC. Regardless of a patient's ability to pay, whenever a patient complains about the SOC, Edelman staff access MEDS and clear patients' SOC to ensure pharmacies can bill Medi-Cal. However, the SOC is never collected. Furthermore, MEDS does not allow clearing of the monthly SOC without inputting additional clinic based services. As a result, patients who want their monthly SOC cleared need to be prescribed additional services each month whether they need them or not. The PFS Worker provided an example in which a patient consumed services costing in excess of \$1,000 in order to clear a \$421 SOC for a prescription. The PFS Worker also stated that patients are not referred back to DPSS for another reassessment of their ability to pay SOC because it is inconvenient for the patient.

We contacted five other County-owned mental health clinics and confirmed that all five use the same method as Edelman for clearing the SOC.

Conclusion

We substantiated the allegation that staff at the Edelman Mental Health Clinic is clearing the SOC in MEDS whenever a patient complains about paying it. While this makes it possible for pharmacies to bill Medi-Cal for prescriptions, it allows patients to avoid paying their SOC, even though DPSS determined they have some ability to pay. In addition, Medi-Cal is being billed for clinic-based services that are prescribed for the purpose of clearing the SOC, but may not be needed by the patient. As a result, DMH may be overbilling Medi-Cal.

To ensure DMH complies with Medi-Cal rules and regulations, Department management needs to review its policies and procedures regarding the Medi-Cal SOC and take corrective action. This should include prohibiting clinics from clearing the SOC and referring patients who claim they cannot pay their SOC back to DPSS for re-evaluation of their ability to pay.

Recommendations

DMH Management:

- 1. Review policies and procedures regarding Medi-Cal SOC and take corrective action.**
- 2. Prohibit clinics from clearing the SOC.**
- 3. Refer patients who claim they cannot pay their SOC back to DPSS for re-evaluation of their ability to pay.**
- 4. Monitor implementation of these recommendations.**

Review of Report

We discussed our report with DMH management on October 20, 2003. DMH replied in the attached memo dated November 3, 2003 and agreed to provide the Board with a written response within 60 days detailing the actions they are taking to address the issues discussed in this report.

If you have any questions, please call me or have your staff call Marion Romeis at (626) 293-1400.

JTM: PTM:MR
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Attachment

c: Chief Administrative Office
David E. Janssen, Chief Administrative Officer
Claudine Crank, Budget & Operations Management Branch
Violet Varona-Lukens, Executive Officer, Board of Supervisors
Marvin J. Southard, D.S.W., Director, Department of Mental Health
Public Information Office
Audit Committee

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Director

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November 3, 2003

TO: J. Tyler McCauley
Auditor-Controller

FROM: Marvin J. Southard, D.S.W.
Director of Mental Health

SUBJECT: **AUDITOR-CONTROLLER SPECIAL INVESTIGATION UNIT
MEDI-CAL SHARE-OF-COST INQUIRY**

This is in response to your findings related to certain mental health clinics with Federal and State Medi-Cal Share-of-Cost. The Department will, within the next sixty (60) days, develop and implement a corrective action plan to remedy the inappropriate practices occurring at our clinics. I will report back to you with the action plan and progress in correcting clinics' Medi-Cal Share-of-Cost practices.

MJS:GSK:glp

c: Lloyd W. Pellman
Susan Kerr
Each Deputy Director

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